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# Trenton Town

## Review Financial Statements

June 30, 2005

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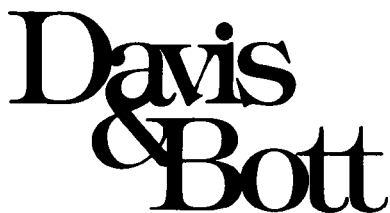
**Davis  
& Bott**

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**Trenton Town  
June 30, 2005**

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The Mayor and Town Council  
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We have reviewed the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Trenton, Utah, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Trenton, Utah.

A review consists principally of inquiries of Town personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis on pages 2 through 9 and budgetary comparison information on pages 31 and 32, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

A handwritten signature in cursive script that reads "Davis &amp; Bott".

Davis & Bott  
Certified Public Accountants, L.C.

Brigham City, Utah  
December 16, 2005

**Trenton Town  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

As management of Trenton, Utah, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

**FINANCIAL HIGHLIGHTS**

- A. The assets of the Town exceeded its liabilities at June 30, 2005, by \$1,206,484. Of this amount, unrestricted net assets of \$286,330 may be used to meet the Town's ongoing obligations to citizens and creditors.
- B. The total net assets increased by \$77,283 over the prior year. The increase resulted mainly from increased interest earnings and larger utility revenue due to increased fees in the water fund.
- C. As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$86,872, a decrease of \$1,316 in comparison with the prior year. Of this amount, \$66,044 is unreserved and available for spending. The remaining \$20,828 has been reserved due to legal restrictions involving parties outside the financial reporting entity.
- D. At the end of the current fiscal year, unreserved fund balance for the general fund was \$47,100, or 28 percent of total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

*See Accountants' Report*

**Trenton Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and public improvements, sanitation, and parks and cemetery. The business-type activities of the Town consist of culinary water.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**Trenton Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund. Both are considered major funds.

The Town adopts a one-year budget for its governmental funds. Budgetary comparison statements have been provided.

**Proprietary Funds.** The Town maintains only one type of proprietary fund; namely, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the water utility fund.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2005, the Town's assets exceeded liabilities by \$1,206,484. Of the Town's net assets, 74 percent reflects its investment in capital assets. Capital assets are used to provide services to citizens and they are not available for future spending.

*See Accountants' Report*

**Trenton Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

**Trenton Town's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Noncapital assets	\$ 106,806	\$ 105,544	\$ 219,688	\$ 2,165,129	\$ 326,494	\$ 2,270,673
Capital assets	<u>255,491</u>	<u>215,887</u>	<u>2,481,699</u>	<u>1,054,927</u>	<u>2,737,190</u>	<u>1,270,814</u>
Total assets	362,297	321,431	2,701,387	3,220,056	3,063,684	3,541,487
Other liabilities	16,322	14,102	65,425	604,967	81,747	619,069
Long-term liabilities	<u>-</u>	<u>-</u>	<u>1,775,453</u>	<u>1,793,217</u>	<u>1,775,453</u>	<u>1,793,217</u>
Total liabilities	16,322	14,102	1,840,878	2,398,184	1,857,200	2,412,286
Net assets:						
Investment in capital assets, net of related debt	255,491	215,887	641,483	238,758	896,974	454,645
Restricted	20,828	28,550	2,352	307,319	23,180	335,869
Unrestricted	<u>69,656</u>	<u>62,892</u>	<u>216,674</u>	<u>275,795</u>	<u>286,330</u>	<u>338,687</u>
Total net assets	<u>\$ 345,975</u>	<u>\$ 307,329</u>	<u>\$ 860,509</u>	<u>\$ 821,872</u>	<u>\$ 1,206,484</u>	<u>\$ 1,129,201</u>

The restricted portion of the net assets, \$23,180 (2 percent), represents resources subject to external restrictions on how they may be used. The balance of unrestricted net assets, \$286,330 (24 percent), may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its combined governmental and business-type activities.

See Accountants' Report

**Trenton Town  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2005**

**Trenton Town's Changes In Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 47,366	\$ 72,601	\$ 93,777	\$ 71,870	\$ 141,143	\$ 144,471
Operating grants and contribu- tions	56,004	47,027	-	307,000	56,004	354,027
Capital grants and contributions	-	19,800	-	-	-	19,800
General revenues:						
Property taxes	16,053	15,000	-	-	16,053	15,000
Other taxes	48,706	32,060	-	-	48,706	32,060
Other	<u>1,116</u>	<u>1,271</u>	<u>15,948</u>	<u>2,258</u>	<u>17,064</u>	<u>3,529</u>
Total revenues	<u>169,245</u>	<u>187,759</u>	<u>109,725</u>	<u>381,128</u>	<u>278,970</u>	<u>568,887</u>
Expenses:						
General government	39,109	30,304	-	-	39,109	30,304
Public safety	40,401	38,277	-	-	40,401	38,277
Highways and public improve- ments	7,801	14,379	-	-	7,801	14,379
Sanitation	28,086	27,444	-	-	28,086	27,444
Parks and cemetery	15,202	17,610	-	-	15,202	17,610
Water utility	<u>-</u>	<u>-</u>	<u>71,088</u>	<u>31,613</u>	<u>71,088</u>	<u>31,613</u>
Total expenses	<u>130,599</u>	<u>128,014</u>	<u>71,088</u>	<u>31,613</u>	<u>201,687</u>	<u>159,627</u>
Increase (decrease) in net assets	38,646	59,745	38,637	349,515	77,283	409,260
Net assets beginning	<u>307,329</u>	<u>247,584</u>	<u>821,872</u>	<u>472,357</u>	<u>1,129,201</u>	<u>719,941</u>
Net assets ending	<u>\$ 345,975</u>	<u>\$ 307,329</u>	<u>\$ 860,509</u>	<u>\$ 821,872</u>	<u>\$ 1,206,484</u>	<u>\$ 1,129,201</u>

*See Accountants' Report*



**Trenton Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

**Governmental and Business-Type Activities.** Governmental activities increased the Town's net assets by \$38,646. When combined with the \$38,637 increase in net assets from business-type activities, overall net assets increased by \$77,283 or 7 percent.

The increase in governmental net assets is mainly due to a grant for the fire station and vending machine revenue. The increase in the business-type activities is due mainly to the new water system.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Government Funds.** The purpose of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the Town's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$47,100, which comprises 69 percent of the total fund balance. The remaining general fund balance of \$20,828 is restricted for Class "C" road uses. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved general fund balance represents 28 percent of total general fund expenditures. The fund balance of the Town's general fund decreased by \$2,031 during the current fiscal year. This decrease was mainly due to decreased Class "C" road money and, at the same time, an increase in road improvement expenditures.

The capital projects fund increased because of interest income; this increase was anticipated. The water utility fund's net assets increased by \$38,637. This was due mainly to increased rates in the utility billing.

**Trenton Town  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2005**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The originally submitted budget for the fiscal year 2005 was not modified during the year. In the end, two departments' expenditures exceeded their budgets.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The Town's capital assets for its governmental and business-type activities at June 30, 2005, amounted to \$2,737,190 (net of accumulated depreciation). The capital assets include land, buildings, improvements, equipment, roads and similar infrastructure. The total increase in the Town's capital assets for the current fiscal year was \$1,466,376 (an increase of 18 percent for governmental activities and an increase of 135 percent for business-type activities). The increase in governmental capital assets was mainly due to the purchase of new equipment for the Fire Department. The increase in business-type activities was due to work on the new water system.

**Trenton Town's Capital Assets  
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 4,691	\$ 4,691	\$ 22,091	\$ 22,091	\$ 26,782	\$ 26,782
Buildings	147,164	152,168	6,255	6,407	153,419	158,575
Improvements		-	2,447,872	1,020,607	2,447,872	1,020,607
Infrastructure	32,966	-	-	-	32,966	-
Equipment	<u>70,670</u>	<u>59,028</u>	<u>5,481</u>	<u>5,822</u>	<u>76,151</u>	<u>64,850</u>
Net capital assets	<u>\$ 255,491</u>	<u>\$ 215,887</u>	<u>\$ 2,481,699</u>	<u>\$ 1,054,927</u>	<u>\$ 2,737,190</u>	<u>\$ 1,270,814</u>

Additional information on the Town's capital assets can be found in Note 3 on pages 26 and 27 of this report.

*See Accountants' Report*

**Trenton Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

**Long-term debt.** At the end of the current fiscal year, the Town had \$1,840,216 in outstanding revenue bonds.

	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue bonds	\$ -	\$ -	\$ 1,840,216	\$ 1,854,394	\$ 1,840,216	\$ 1,854,394
Total	\$ -	\$ -	\$ 1,840,216	\$ 1,854,394	\$ 1,840,216	\$ 1,854,394

Total long-term debt decreased by \$14,178 for the year ending June 30, 2005.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Town has completed the new distribution system for the Town's culinary water. The bonds for payment of this project have been signed and the Town will be making the regularly-schedule payments. The water rates have been raised to cover the payments on the bonds and the budget was prepared anticipating that revenue would meet expenses.

See Accountants' Report

**Trenton Town**  
**Statement of Net Assets**  
**June 30, 2005**

	Primary Government		
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 75,050	\$ 212,978	\$ 288,028
Accounts receivable - net	5,616	6,710	12,326
Property taxes receivable	13,466	-	13,466
Sales taxes receivable	6,073	-	6,073
Class "C" road receivable	6,601	-	6,601
Capital assets (net of accumulated depreciation)			
Land	147,164	6,255	153,419
Buildings	70,670	5,481	76,151
Improvements	-	2,447,872	2,447,872
Infrastructure	32,966	-	32,966
Equipment	4,691	22,091	26,782
Total assets	<u>362,297</u>	<u>2,701,387</u>	<u>3,063,684</u>
<b>LIABILITIES</b>			
Current:			
Accounts payable and accrued liabilities	3,211	662	3,873
Deferred revenue	13,111	-	13,111
Revenue bonds payable	-	64,763	64,763
Long-term:			
Revenue bonds payable	<u>-</u>	<u>1,775,453</u>	<u>1,775,453</u>
Total liabilities	<u>16,322</u>	<u>1,840,878</u>	<u>1,857,200</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	255,491	641,483	896,974
Restricted:			
Class "C" roads	20,828	-	20,828
Revenue bond reserve	-	2,352	2,352
Unrestricted	<u>69,656</u>	<u>216,674</u>	<u>286,330</u>
Total net assets	<u>\$345,975</u>	<u>\$ 860,509</u>	<u>\$1,206,484</u>

*See accompanying notes and Accountants' Report*

**Trenton Town**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 39,109	\$ 2,890	\$ 2,155	\$ -	\$ (34,064)	\$ -	\$ (34,064)
Public safety	40,401	13,256	21,600	-	(5,545)	-	(5,545)
Highways and public improvements	7,801	-	32,249	-	24,448	-	24,448
Sanitation	28,086	26,521	-	-	(1,565)	-	(1,565)
Parks and cemetery	15,202	4,699	-	-	(10,503)	-	(10,503)
	130,599	47,366	56,004	-	(27,229)	-	(27,229)
Business-type activities:							
Water utility	71,088	93,777	-	-	-	22,689	22,689
Total primary government activities	\$ 201,687	\$ 141,143	\$ 56,004	\$ -	(27,229)	22,689	(4,540)
General revenues:							
Property taxes					16,053	-	16,053
General sales and use taxes					33,679	-	33,679
Franchise and other taxes					15,027	-	15,027
Investment earnings					1,116	15,948	17,064
Total general revenues					65,875	15,948	81,823
Change in net assets					38,646	38,637	77,283
Net assets - beginning					307,329	821,872	1,129,201
Net assets - ending					\$ 345,975	\$ 860,509	\$ 1,206,484

See accompanying notes and Accountants' Report

**Trenton Town**  
**Balance Sheet - Governmental Funds**  
**June 30, 2005**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$56,106	\$18,944	\$ 75,050
Receivables (net):			
Accounts receivable	5,616	-	5,616
Property tax	13,466	-	13,466
Sales tax	6,073	-	6,073
Class "C" roads	<u>6,601</u>	<u>-</u>	<u>6,601</u>
Total assets	<u>\$87,862</u>	<u>\$18,944</u>	<u>\$106,806</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 3,211	\$ -	\$ 3,211
Deferred revenue	<u>16,723</u>	<u>-</u>	<u>16,723</u>
Total liabilities	<u>19,934</u>	<u>-</u>	<u>19,934</u>
Fund balances:			
Reserved for:			
Class "C" roads	20,828	-	20,828
Unreserved	<u>47,100</u>	<u>18,944</u>	<u>66,044</u>
Total fund balances	<u>67,928</u>	<u>18,944</u>	<u>86,872</u>
Total liabilities and fund balances	<u>\$87,862</u>	<u>\$18,944</u>	<u>\$106,806</u>

*See accompanying notes and Accountants' Report*

**Trenton Town**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of the Governmental**  
**Funds to the Statement of Activities**  
**June 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (1,316)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	39,604
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>358</u>
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Change in net assets of governmental activities	<u>\$ 38,646</u>
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*See accompanying notes and Accountants' Report*

Trenton Town  
Statement of Revenues, Expenditures and Changes in Fund  
Net Assets - Proprietary Fund  
For the Year Ended June 30, 2005

	<u>Enterprise Fund</u> <u>Water Utility</u>
Operating revenues:	
Charges for services	\$ 92,877
Connection fees	900
Total operating revenues	<u>93,777</u>
Operating expenses:	
Fees and service	3,328
Repairs and maintenance	3,928
Salaries and wages	23
Utilities	1,119
Depreciation	33,700
Bad debt expense	2,028
Total operating expenses	<u>44,126</u>
Operating income	<u>49,651</u>
Nonoperating revenues (expenses):	
Investment earnings	15,948
Interest expense	<u>(26,962)</u>
Total nonoperating revenues (expenses)	<u>(11,014)</u>
Change in net assets	38,637
Total net assets - beginning	<u>821,872</u>
Total net assets - ending	<u>\$ 860,509</u>

See accompanying notes and Accountants' Report



**Trenton Town**  
**Statement of Cash Flows - Proprietary Fund**  
**For the Year Ended June 30, 2005**

	<u>Enterprise Fund</u> <u>Water Utility</u>
Cash flows from operating activities:	
Receipts from customers	\$ 96,225
Payments to suppliers	(10,388)
Payments to employees	(23)
Net cash provided by operating activities	<u>85,814</u>
Cash flows from capital and related financing activities	
Interest paid on long-term debt	(27,162)
Purchases and construction of capital assets	(2,003,416)
Principal paid on long-term debt	(14,178)
Net cash used in capital and related financing activities	<u>(2,044,756)</u>
Cash flows from investing activities:	
Interest earnings	<u>15,948</u>
Net cash provided by investing activities	<u>15,948</u>
Net decrease in cash and cash equivalents	(1,942,994)
Cash and cash equivalents - beginning	<u>2,155,972</u>
Cash and cash equivalents - end	<u>\$ 212,978</u>

*See accompanying notes and Accountants' Report*

Trenton Town  
Statement of Cash Flows - Proprietary Fund (Continued)  
For the Year Ended June 30, 2005

	<u>Enterprise Fund</u> <u>Water Utility</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 49,651
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	33,700
Change in net assets and liabilities:	
Receivables, net	2,448
Accounts and other payables	<u>15</u>
Net cash provided by operating activities	\$ <u>85,814</u>

*The accompanying notes are an integral part of these statements*

**Trenton Town**  
**Notes to Financial Statements**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Town of Trenton, Utah, is governed by an elected mayor and four council members. As required by generally accepted accounting principles, these financial statements present the financial condition of the government. Trenton Town is not a component unit of any other entity, nor does it have any component units for which the government would be considered financially accountable.

B. Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment.

Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. All individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

*See Accountants' Report*

Trenton Town  
Notes to Financial Statements (Continued)  
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statement, rather than reported as an expenditure.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The government has the following fund types:

**Governmental funds** are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable" and "available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The Town considers all revenues available if they are collected within 30 days after year end. The Town considers Class "C" road money to be available if collected within 60 days. Expenditures are recorded when the related fund liability is incurred.

Governmental funds include the following fund types:

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

See Accountants' Report

Trenton Town  
Notes to Financial Statements (Continued)  
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The **capital projects funds** account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

**Proprietary funds** are accounted for on the flow of economic resources measurement focus and use of accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Enterprise funds** are used to account for those operations that are financed and operated in a manner similar to private business or where the Town has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Town has only one proprietary fund, the water utility fund, which delivers culinary water to citizens of the Town.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

i. Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with the original maturities of three months or less from the date of acquisition. Currently the only investing is done with the State Treasurer's Investment Pool.

See Accountants' Report

**Trenton Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*ii. Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" if they are not projected to be repaid within one year, and as "interfund receivable/payable" for amounts projected to be repaid within one year.

*iii. Capital Assets*

Capital assets used in governmental fund type operations are accounted for in the governmental activities column in the statement of net assets, but not in governmental funds. Governmental capital assets consisting of certain improvements other than buildings, including roads, bridges, streets, drainage systems, and lighting system, placed in service prior to June 30, 2003, have not been capitalized.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible capital assets is charged as an expense against its operations in the government-wide financial statements and the proprietary fund financial statements. Accumulated depreciation is reported on the government-wide and proprietary fund statements of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	10 - 40 years
Water system	50 years
Equipment	7 years
Infrastructure	50 years

*See Accountants' Report*

**Trenton Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budget and Budgetary Accounting

The Town follows the budget and budgetary accounting procedures established by Utah law and described in the Uniform Accounting Manual for Utah Cities and Towns. The current year budget was amended according to Utah law.

G. Restricted Net Assets

Net assets have been restricted for Class "C" road purposes. The amount represents funds received from the State of Utah Road Fund allotment to be used for future maintenance of the Town's road network.

Restrictions in the proprietary fund are for bond reserve requirements.

**NOTE 2. CASH AND INVESTMENTS**

At year end, the government's carrying amount of deposits was \$93,310 and the bank balance was \$125,927. Of the bank balance, \$100,000 was covered by federal depository insurance and \$25,927 was uncollateralized.

Statutes authorize Trenton Town to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Records, and the State Treasurer's Investment Pool. Investments in the State Treasurer's Investment Pool are unrated for credit risk purposes.

*See Accountants' Report*

**Trenton Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 2. CASH AND INVESTMENTS (Continued)**

Trenton Town's investments at year end are shown below:

	<u>Carrying Amount</u>	<u>Market Value</u>
State Treasurer's Investment Pool	\$ <u>194,718</u>	\$ <u>194,748</u>
Total investments	\$ <u><u>194,718</u></u>	\$ <u><u>194,748</u></u>

*See Accountants' Report*



**Trenton Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 3. CAPITAL ASSETS**

The following is a summary of changes in capital assets during the fiscal year:

**Governmental Activities**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 4,691	\$ -	\$ -	\$ 4,691
Capital assets being depreciated:				
Buildings	173,835	-	-	173,835
Equipment	141,697	24,054	-	165,751
Infrastructure	<u>-</u>	<u>33,525</u>	<u>-</u>	<u>33,525</u>
Total capital assets being depreciated	<u>315,532</u>	<u>57,579</u>	<u>-</u>	<u>373,111</u>
Less accumulated depreciation:				
Buildings	21,667	5,004	-	26,671
Equipment	82,669	12,412	-	95,081
Infrastructure	<u>-</u>	<u>559</u>	<u>-</u>	<u>559</u>
Total accumulated depreciation	<u>104,336</u>	<u>17,975</u>	<u>-</u>	<u>122,311</u>
Total capital assets being depreciated - net	<u>211,196</u>	<u>39,604</u>	<u>-</u>	<u>250,800</u>
Governmental activities capital assets - net	<u>\$ 215,887</u>	<u>\$ 39,604</u>	<u>\$ -</u>	<u>\$ 255,491</u>

See Accountants' Report

**Trenton Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 3. CAPITAL ASSETS (Continued)**

**Business-Type Activities**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 22,091	\$ -	\$ -	\$ 22,091
Capital assets being depreciated:				
Building	7,631	-	-	7,631
Equipment	9,611	-	-	9,611
Improvements	<u>1,194,405</u>	<u>1,460,472</u>	<u>-</u>	<u>2,654,877</u>
Total capital assets being depreciated	<u>1,211,647</u>	<u>1,460,472</u>	<u>-</u>	<u>2,672,119</u>
Less accumulated depreciation:				
Building	1,224	153	-	1,377
Equipment	3,789	341	-	4,130
Improvements	<u>173,798</u>	<u>33,206</u>	<u>-</u>	<u>207,004</u>
Total accumulated depreciation	<u>178,811</u>	<u>33,700</u>	<u>-</u>	<u>212,511</u>
Total capital assets being depreciated - net	<u>1,032,836</u>	<u>1,426,772</u>	<u>-</u>	<u>2,459,608</u>
Business-type activities capital assets - net	<u>\$1,054,927</u>	<u>\$1,426,772</u>	<u>\$ -</u>	<u>\$2,481,699</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 2,157
Public safety	13,104
Highways and public improvements	730
Parks and cemetery	<u>1,984</u>
Total depreciation expense governmental activities	<u>\$ 17,975</u>

See Accountants' Report

**Trenton Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 4. PROPERTY TAX**

Property taxes attached as an enforceable lien on property as of January 1. Taxes are levied on June 15, and are due November 30. Property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB. Property taxes received within 30 days of year end are recognized as revenue at year end.

**NOTE 5. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries insurance through the Utah Local Government Insurance Trust. Workers compensation is carried by the Workers Compensation Fund of Utah. A fidelity bond is provided to the Town treasurer through a private carrier. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 6. LONG-TERM DEBT**

Enterprise fund revenue bonds outstanding at June 30, 2005, were as follows:

	July 1, 2004	Additions	Reductions	June 30, 2005	Due Within One Year
<u>Business-type activities:</u>					
Water revenue bonds payable	<u>1,854,394</u>	<u>-</u>	<u>\$(14,178)</u>	<u>\$1,840,216</u>	<u>\$64,763</u>
Total business-type long-term liabilities	<u>\$1,854,394</u>	<u>\$ -</u>	<u>\$(14,178)</u>	<u>\$1,840,216</u>	<u>\$64,763</u>

*See Accountants' Report*

**Trenton Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 6. LONG-TERM DEBT (Continued)**

The annual requirements to retire Trenton Town's indebtedness as of June 30, 2005, are as follows:

Year Ending <u>June 30</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 64,763	\$ 21,652
2007	65,374	20,979
2008	65,851	20,280
2009	54,967	19,761
2010	55,188	19,277
2011 - 2015	280,629	91,855
2016 - 2020	316,860	82,634
2021 - 2025	324,854	71,580
2026 - 2030	371,044	59,220
2031 - 2035	70,964	45,300
2036 - 2040	88,281	27,983
2041 - 2044	81,441	9,058
Total commitment	<u>\$1,840,216</u>	<u>\$489,579</u>

*See Accountants' Report*

**Trenton Town  
Notes to Financial Statements (Continued)  
June 30, 2005**

**NOTE 6. LONG-TERM DEBT (Continued)**

Long-term debt consisted of the following at June 30, 2005:

\$130,000 Safe Drinking Water Board, Series 1992, issued on June 10, 1992. Due in annual installments of \$11,700 until January 1, 2008, plus interest at 4.00%.	\$ 32,326
\$70,000 Drinking Water Board, Series 2004B, issued on May 27, 2004. Due in annual installments ranging from \$4,000 to \$5,000 until January 1, 2005, plus interest at 2.09%.	70,000
\$1,304,000 Utah Division of Water Resources, Series 2004A, issued on May 27, 2004. Due in annual installments ranging from \$47,000 to \$106,000 until September 1, 2029, with no interest.	1,304,000
\$438,000 USDA Rural Development Water, issued on May 27, 2004. Due in annual installments of \$1,937.73 until May 26, 2044, plus interest at 4.375%.	<u>433,890</u>
	<u>\$ 1,840,216</u>

*See Accountants' Report*

**REQUIRED SUPPLEMENTARY INFORMATION**

**Trenton Town**  
**Budgetary Comparison Schedule - General Fund (Unaudited)**  
**June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 57,222	\$ 57,222	\$ 64,402	\$ 7,180
Licenses and permits	1,000	1,000	716	(284)
Intergovernmental	44,400	44,400	55,903	11,503
Charges for services	34,000	34,000	39,687	5,687
Charges for services - cemetery	1,000	1,000	1,700	700
Miscellaneous	<u>8,500</u>	<u>8,500</u>	<u>5,764</u>	<u>(2,736)</u>
Total revenues	<u>146,122</u>	<u>146,122</u>	<u>168,172</u>	<u>22,050</u>
Expenditures:				
General government	27,300	27,300	36,952	(9,652)
Public safety	26,500	26,500	51,351	(24,851)
Highways and public improvements	41,500	41,500	40,596	904
Sanitation	32,500	32,500	28,086	4,414
Parks and cemetery	<u>16,500</u>	<u>16,500</u>	<u>13,218</u>	<u>3,282</u>
Total expenditures	<u>144,300</u>	<u>144,300</u>	<u>170,203</u>	<u>(25,903)</u>
Excess (deficiency) of revenues over expenditures	1,822	1,822	(2,031)	(3,853)
Other financing sources (uses):				
Transfers in (out)	<u>(2,822)</u>	<u>(2,822)</u>	<u>-</u>	<u>2,822</u>
Appropriated increase in fund balance	1,000	1,000	-	(1,000)
Fund balance at beginning of year	<u>69,959</u>	<u>69,959</u>	<u>69,959</u>	<u>-</u>
Fund balance at end of year	<u>\$ 69,959</u>	<u>\$ 69,959</u>	<u>\$ 67,928</u>	<u>\$ (2,031)</u>

*See Accountants' Report*

**Trenton Town**  
**Note to Budgetary Comparison Schedule**  
**June 30, 2005**

The following departments of the general fund had expenditures in excess of budget for the year ended June 30, 2005. This is a violation of state law.

	Expenditures <u>in Excess</u>
General government	\$ 9,652
Public safety	\$ 24,851

*See Accountants' Report*